

NEED AND DEMAND ANALYSIS
FOR THE
CHEROKEE MILL LOFT APARTMENTS
IN
CALHOUN, GEORGIA

Prepared for the
Calhoun Affordable Housing Development, Inc.
for submission to
the Georgia Department of Community Affairs
Office of Affordable Housing

June 2012

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INTRODUCTION

PURPOSE

The purpose of this report is to present the findings of an analysis of the market for the Cherokee Mill Loft Apartments in Calhoun, Georgia. A total of 60 units are to be provided: twelve one-bedroom units, 30 two-bedroom units and 18 three-bedroom units. All 60 units will rent to households whose incomes qualify their apartments for tax credit status, with units to be targeted to households at 50 and 60 percent of the local area median income.

ASSUMPTIONS AND CONDITIONS

The findings of this study are predicated upon the assumption that the proposed development, as presented to us, will be located at the site described in the report, that it will be funded through the program under which it was prepared, and within the stated projection period.

Further, the findings are based on the assumption that once funded, the complex will be well-designed, well-marketed, and professionally managed.

The data and analysis in this study are based on information relating to conditions in the town, market area, county, and state in which the project is to be located, and has been obtained from the most pertinent and current available sources. Likewise, every effort has been made to ensure its accuracy and reliability. However, we can assume no responsibility for inaccuracies in reporting by any local, regional, state, or federal agency cited, nor for any information withheld or erroneously reported by the sources cited during the normal course of our professional research. Consequently, we reserve the right to alter our findings and conclusions, if necessary, on the basis of any discovered material inaccuracies.

The site of the proposed apartments was visited. In addition, interviews were held with persons with particular knowledge pertinent to the study.

It is important to stress that this analysis was carried out after some initial releases of 2010 Census Data - but before those data were fully made available. Also, coverage from the 2010 Census - when complete - will not equate with the coverage provided in previous decennial Censuses. Thus, other sources - notably the Census Bureau's American Community Survey - is necessarily to be relied upon. The latter is based on a relatively small sample (compared with earlier sample-based Census reports) and therefore is subject to large statistical margins of error. Thus, use of these data is subject to the *caveat* that those data may not be as rigorous or as reliable as Census data prior to 2010. In this regard, if the data suggest outcomes at variance with our observations from other sources, these will be highlighted in our findings.

The report is designed to satisfy the underwriting criteria of the reviewing agency for which it was performed, and the conclusions, based on the results of our research, experience, and expertise reflect the predicted ability of the project, as presented to us, to meet or exceed that reviewing agency's guidelines. Thus, a positive conclusion does not necessarily imply that the project would be found to be feasible or successful under different underwriting standards, and this study does not necessarily incorporate generally accepted professional market study standards and elements pre-empted by the guidelines set out by the reviewing agency.

It is stated that we have no responsibility for opinions requiring expertise in other fields of expertise - these would include, for example, legal, environmental, architectural, and engineering matters.

To the best of our knowledge, this report is an accurate representation of market conditions. While due care and professional housing market study techniques were used, no guarantee is made of the findings.

It is stated that we do not have, nor will have in the future, any material interest in the proposed development, and that there is no identity of interest between us and the party for whom the project was prepared. Further, we state that the payment of the fee is not contingent upon a favorable conclusion, nor approval of the project by any agency before or after the fact. The payment of the fee does not include payment for testimony nor further consultation.

Submitted, and attested to, by:

T. Ronald Brown, President
John Wall and Associates
P.O. Box 1294
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EXECUTIVE SUMMARY

The following provides a brief summary of the market analysis, and is based on the Georgia DCA market study guidelines.

Project Description:

The Cherokee Mill Loft Apartments are to be located at 305 McConnell Road, Calhoun GA 30701 - that is, on the east side of McConnell Street, north of its intersection with Oothcalooga Street in west-central Calhoun. The project is the adaptive re-use of a former mill, and will provide a total of 60 new units, for family tenants.

One bedroom units will be of around 759 square feet (on average), two bedroom units will be around 1,052 square feet, and the three-bedroom units will be around 1,128 square feet.

The project is to be configured as follows:

<u>Unit type</u>	<u>No. of units</u>	<u>Rents</u>	<u>Utilities</u>	<u>Targeting*</u>
1 bedroom/1 bath	3	\$388	\$97	less than 50 percent
1 bedroom/1 bath	9	\$425	\$97	less than 60 percent
2 bedroom/2 bath	6	\$461	\$121	less than 50 percent
2 bedroom/2 bath	24	\$504	\$121	less than 60 percent
3 bedroom/2 bath	3	\$520	\$152	less than 50 percent
3 bedroom/2 bath	15	\$596	\$152	less than 60 percent

* Percent of area median

The proposed development will feature the following unit amenities: refrigerator, dishwashers, in-sink disposal, carpeting, window covering (blinds), ceiling fans, washer/dryer hook-ups, and central air conditioning. Some of the units will be loft style and some will have courtyards. Project amenities will include interior, open-air, common space, a community room (with kitchenette), computer center, fitness center, gazebo, a tot lot, and a laundry facility. There will be both covered and open parking available. A wide range of supportive services is to be offered.

The proposed development will offer a project that is newer and in better physical condition, with better amenities, than is the norm in the conventional (and subsidized) market in Calhoun at present.

Site Description/Evaluation:

The site is flat and is the site of an abandoned mill - which is single story brick structure in fair condition. Adjacent properties comprise some businesses and several single family homes. Two properties of the Calhoun Housing Authority are located off Oothcalooga Street, in the general vicinity of the site. Access to the site will be from McConnell Road. The property is very visible from both McConnell Road and Oothcalooga Street. There are no significant positive or negative aspects with respect to the site - nonetheless, its redevelopment will have a positive impact on the area.

Access from the site to major thoroughfares, sources of employment, schools, shopping, health, and other services is good. Proximity to schools is significant. There are no apparent physical, or other constraints upon the construction and marketing of the proposed apartments at this location.

Market Area Definition:

The market area for the proposed development is Gordon County. This area is focused on Calhoun, and extends to an approximately eight-to-15 mile hinterland. The area is that which constitutes the geographic area immediately adjacent to the site and extends to all locations of relatively similar character and with residents or potential residents likely to be interested in the proposed project.

Community Demographic Data:

The population of the Calhoun market area (Gordon County) is projected to increase from 55,186 in 2010 to 56,463 in 2012, and 58,438 in 2014. The number of households is projected to increase from 19,715 in 2010, to 20,058 in 2012, and 20,527 in 2014. The number of renter households in the market area in 2010 was 6,518. This is projected to increase to 6,631 in 2012, and to 6,786 in 2014.

The median household income for Calhoun is around \$31,050 and that for the County is around \$40,916.

It is our opinion that the impact of foreclosed, etc., properties in the market area would not have any appreciable impact on the marketability of the proposed development.

Economic Data:

Covered private employment, as reported, rose from 18,979 in 2010 to 19,727 in 2011. In Gordon County the largest employment sector is manufacturing - which accounted for 40.5 percent of the total in 2011. Other significant sectors include various service sectors - such as retail trade, and health care.

In 2011, the Gordon County labor force comprised an estimated 25,425 persons. Of this total, 22,510 were employed, and 2,915, or 11.5 percent, were unemployed. Since 2002, labor force has increased by 4.4 percent, and employment has decreased by 2.8 percent. Given the relatively greater increase in labor force relative to employment, the rate of unemployment has increased significantly over this period - from 4.9 percent to as much as 11.5 percent.

Figures from the Georgia Department of Labor suggest that there have been a total of seven business closings or layoffs in Gordon County since 2007 - which have resulted in a total of 1,289 job losses. A representative of the Gordon County Chamber of Commerce notes that the Bard Holding Company has opened a new manufacturing facility locally, and that no existing businesses are undergoing expansions.

Based on the trends since 2000, the Calhoun area shows positive economic and population growth which suggest an ongoing demand for additional housing in the area - however, the recent economic downtown has likely dampened that growth potential somewhat. Nonetheless, it is seen that there is ongoing need for attractive, new, affordable housing.

Project-Specific Affordability and Demand Analysis:

Our calculations show that there will be a total of 1,051 renter households in the qualifying income ranges in the project market area in 2014.

Total demand for the proposed development based on the Georgia DCA market study methodology is determined to be for 689 units. The net demand is for 689 units. Thus, a 60-unit development amounts to 8.7 percent of the total net need. The corresponding capture rate for units targeted at 50 percent of the median is 3.2 percent. The capture rate for units targeted at 60 percent of the median is 9.2 percent. The capture rates for the potential one-, two-, and three-bedroom units are calculated to be 7.2 percent, 9.5 percent, and 10.5 percent, respectively. These various capture rates suggest that the project is feasible based on DCA criteria.

Competitive Rental Analysis:

At present there are several apartment complexes located in Calhoun. These include a few conventional, market rate properties, two properties financed with low income housing tax credits (one for families and one two-phase elderly property), and a significant amount of subsidized housing for very low income tenants (including public housing).

The proposed development is an adaptive re-use project which will offer new, affordable, housing in the Calhoun area. As such, it is quite unique - and consequently there are no properties in the area at present which can be considered directly comparable. This is the case not merely by virtue of the type of housing proposed but also in terms of age, features, and amenities.

Eastgate is the only tax credit financed, unsubsidized, complex for family renters. The property is located on Richardson Road, and offers a total of 56 units, which opened in 2001. There is a mix of one-, two-, and three-bedroom units which are targeted to households at 50 and 60 percent of the median. Rents are \$375, \$447 to \$475, and \$505 to \$525 per month. The project is effectively fully occupied and has a waiting list. Occupancy levels for the last six years reveal occupancy in the 92 to 98 percent range.

Market rate complexes are typically relatively few, relatively small, relatively old, and are in average to fair physical condition. It should be noted that several owners/managers declined to provide comprehensive data - which to a certain extent, illustrates the extent to which the market is relatively small and not comparable to a larger urban or suburban market which would offer large, new, complexes that would be professionally managed by large regional or national management entities. Consequently, our survey sample is relatively small (four market rate properties) - reflecting the size and nature of the local market - and as such yields summary data of limited usefulness - for example, none of these properties offer three bedroom units.

Georgia DCA market study guidelines require the determination of average market rents. Given the limitations of the Calhoun market, these averages are found to be \$338 for a one-bedroom unit (with a \$310 to \$343 range) and \$461 for a two-bedroom unit (with a \$435 to \$535 range). These rent levels are seen to reflect the age, physical condition, and relative lack of features and amenities of the few market rate properties in the market area - not an adjusted or achievable rent for the proposed development.

The proposed mix of rents, unit, types, and unit sizes are considered appropriate for a new tax credit property in this community.

Absorption/Stabilization Estimate:

Our review of the capture rates for the proposed development suggest that the project is realistic, as proposed. Thus, in our opinion, the size of the project, the site location, and capture rates suggest that the project could expect to rent-up over a 120-day period, or so (given that the project is presumed to be placed in-service in the second quarter of the year - which is advantageous - and that there is a professional pre-leasing program). This translates to an average of 20 units per month.

The 12 units targeted at 50 percent of the median are estimated to be able to be absorbed over 60 days or so, and the 48 units at 60 percent of the median are estimated to be absorbed over 120 days or so (again, given that the project is presumed to be placed in-service in the second quarter of the year - which is advantageous - and that there is a professional pre-leasing program).

The project should reach stabilized occupancy in 120 days or so.

It is our recommendation that, based upon our analysis, the proposed apartments should be developed as proposed. This conclusion is based on our analysis of the economic and demographic criteria of the project market area as defined and on our project specific demand analysis and survey of the supply of rental housing in the market--as set out in the following report.

Summary Table:

Development Name: **Cherokee Mill Loft Apartments** Total Units: 60
 Location: 305 McConnell Road, Calhoun GA 30701. LIHTC Units: 60
 PMA Boundary: Gordon County
 Farthest Boundary Distance to Subject: 15 miles

RENTAL HOUSING STOCK (found on page 46 ff)

Type	# Properties	Total Units	Vacant Units	Average Occupancy
All Rental Housing	5	284	6	97.9%
Market-Rate Housing	3	152	4	97.4%
Assisted/Subsidized Housing excluding LIHTC	1	76	2	97.4%
LIHTC	1	56	0	100.0%
Stabilized Comps	1	56	0	100.0%
Properties in Construction & Lease Up	n/a	n/a	n/a	n/a

Subject Development					Average Market Rent			Highest Unadjusted Comp Rent	
# Units	# Bedrooms	# Baths	Size (SF)	Proposed Tenant Rent	Per Unit	Per SF	Advantage	Per Unit	Per SF
3	1	1	759	\$388	\$338	\$0.52	-12.9%	\$375	\$0.55
9	1	1	759	\$425	\$338	\$0.52	-20.5%	\$375	\$0.55
6	2	2	1,052	\$461	\$461	\$0.43	0.0%	\$550	\$0.59
24	2	2	1,052	\$504	\$461	\$0.43	-8.5%	\$550	\$0.59
3	3	2	1,128	\$520	n/a	n/a	n/a	\$525	\$0.48
15	3	2	1,128	\$596	n/a	n/a	n/a	\$525	\$0.48

DEMOGRAPHIC DATA (found on pages 22 and 39)						
	2010		2012		2014	
Renter Households	6,518	33.1%	6,631	33.1%	6,786	33.1%
Income-Qualified Renter HHs (LIHTC)		%		%	1,051	15.5% (of renters)
Income-Qualified Renter HHs (MR)		%		%		%
TARGETED INCOME-QUALIFIED RENTER HOUSEHOLD DEMAND (found on pages 41)						
Type of Demand	30%	50%	60%	Market-rate	Other: ____	Overall
Renter Household Growth		22	32			42
Existing Household (Overburd + Substand)		309	420			558
Homeowner conversation (Seniors)						
Less Comparable/Competitive Supply		0	0			0
Net Income-qualified Renter HHs		380	520			689
CAPTURE RATES (found on page 43)						
Targeted Population	30%	50%	60%	Market-rate	Other: ____	Overall
Capture Rate		3.2	9.2			8.7

PROJECT DESCRIPTION

The Cherokee Mill Loft Apartments are to be located at 305 McConnell Road, Calhoun GA 30701. The project will provide a total of 60 new units, for family tenants.

There will be twelve one-bedroom units, 30 two-bedroom units, and 18 three-bedroom units. Of the total 60 units, 12 units will be targeted to households with incomes up to 50 percent of the median, and 48 units will be targeted to households with incomes up to 60 percent of the median.

One bedroom units will be of around 759 square feet (on average), two bedroom units will be around 1,052 square feet, and the three-bedroom units will be around 1,128 square feet.

The project is to be configured as follows:

<u>Unit type</u>	<u>No. of units</u>	<u>Rents</u>	<u>Utilities</u>	<u>Targeting*</u>
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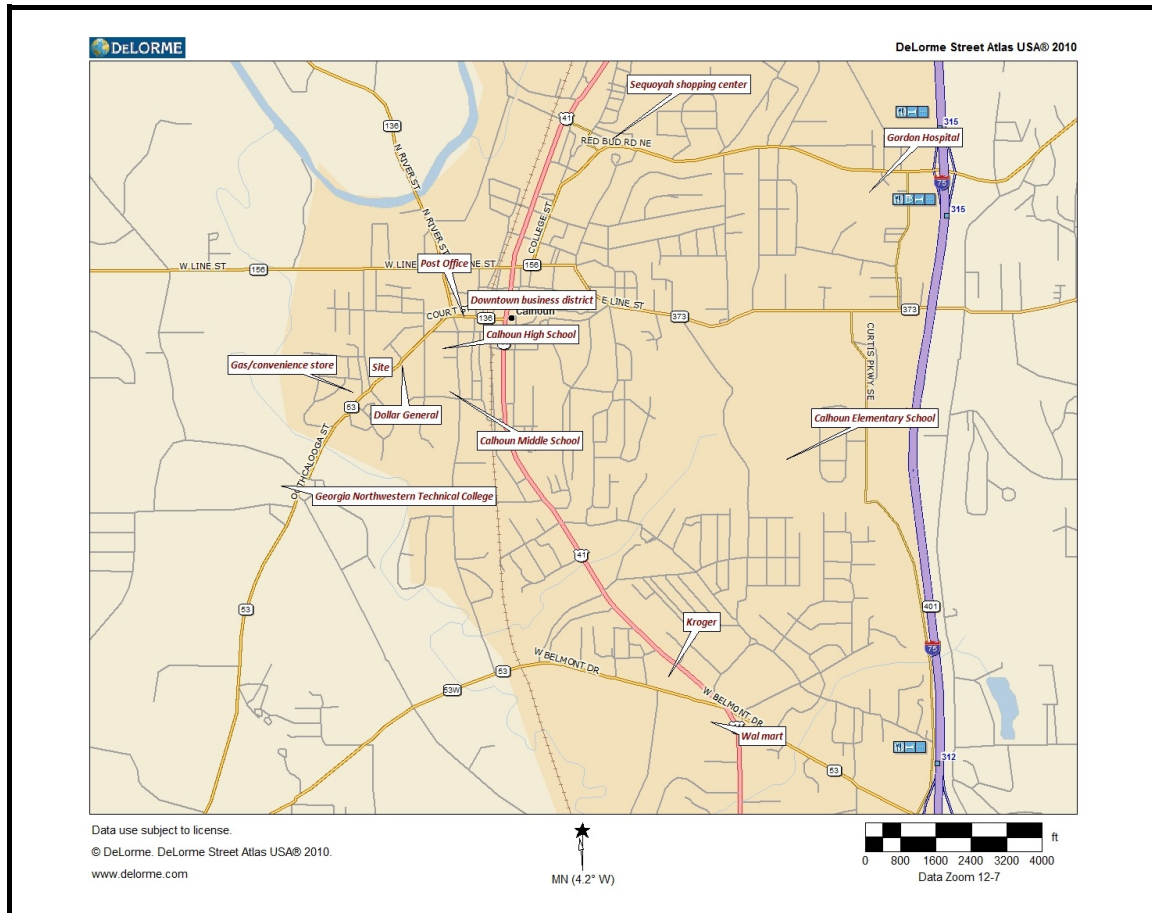
* Percent of area median

Based upon the information provided by the developer, the proposed development will feature the following unit amenities: refrigerator, dishwashers, in-sink disposal, carpeting, window coverings (blinds), ceiling fans, washer/dryer hook-ups, and central air conditioning. Some of the units will be loft style and some will have courtyards. Project amenities will include interior, open-air, common space, a community room (with kitchenette), computer center, fitness center, gazebo, a tot lot, and a laundry facility. There will be both covered and open parking available.

A wide range of supportive services is to be offered.

SITE EVALUATION¹

The site of the proposed Cherokee Mill Apartments is on the east side of McConnell Road, north of its intersection with Oothcalooga Street in west-central Calhoun. A portion of the property is across McConnell Road, which will be used for parking. Adjacent properties comprise some businesses and several single family homes. The Caloga Homes and Millhouse Homes properties of the Calhoun Housing Authority are located off Oothcalooga Street, in the general vicinity of the site.



Site location

¹The original site visit was conducted by T. Ronald Brown on May 10, 2010



View of property, from McConnell Rd.



View of property, from McConnell Rd



View along McConnell Rd., at site



View of property, from Oothacalooga St



View along Oothacalooga Rd., at site



View along Oothacalooga Rd, at McConnell Rd.

Access from the site to major thoroughfares, sources of employment, schools, shopping, health, and other services is good.

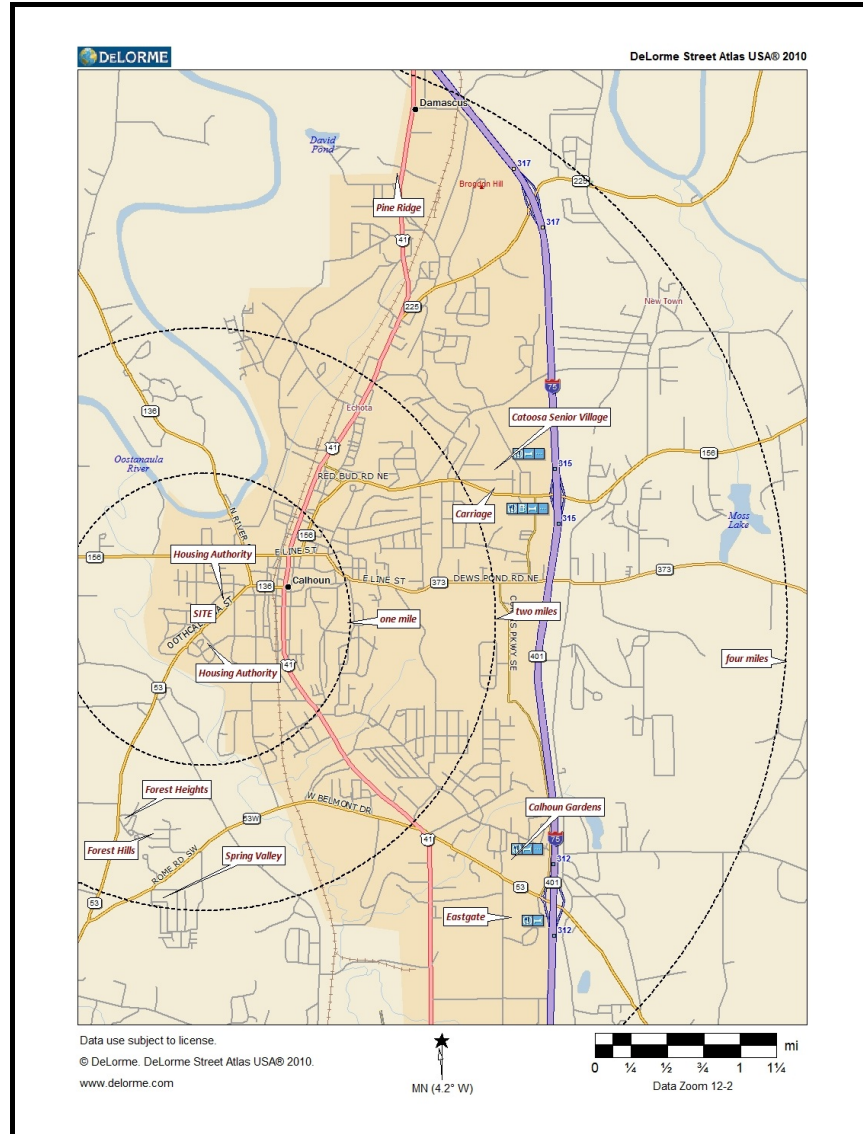
The site is within one-fourth of one mile of a gas/convenience store and a Dollar General store on Oothcalooga Road. The site is within two-thirds of one mile of the government, shopping, and other services located in the Calhoun downtown business district. The site is within one and one-half miles of the Sequoyah shopping center on Red Bud Road (which is anchored by a Piggly Wiggly grocery store). The site is within two and one half miles of the Wal-mart, Kroger, and other shops and services located on US 41 (Wall Street), south of Calhoun.

The Calhoun Middle and High Schools are each located within one-half mile of the site, to the east. The Calhoun Elementary School is within two and one miles or so of the site. The Georgia Northwestern Technical College is off Oothacalooga Street, three-fourths of a mile south of the site.

The site is within two and three-fourth miles of the Gordon Hospital and associated medical services, off Red Bud Road, east of Calhoun, near Interstate 75.

It is understood that the property is zoned for multi-family use, and that access will be from McConnell Road.

The site is flat and is the site of an abandoned mill - which is single story brick structure in fair condition. There are no apparent physical, or other constraints upon the construction and marketing of the proposed apartments at this location.



Existing low income housing

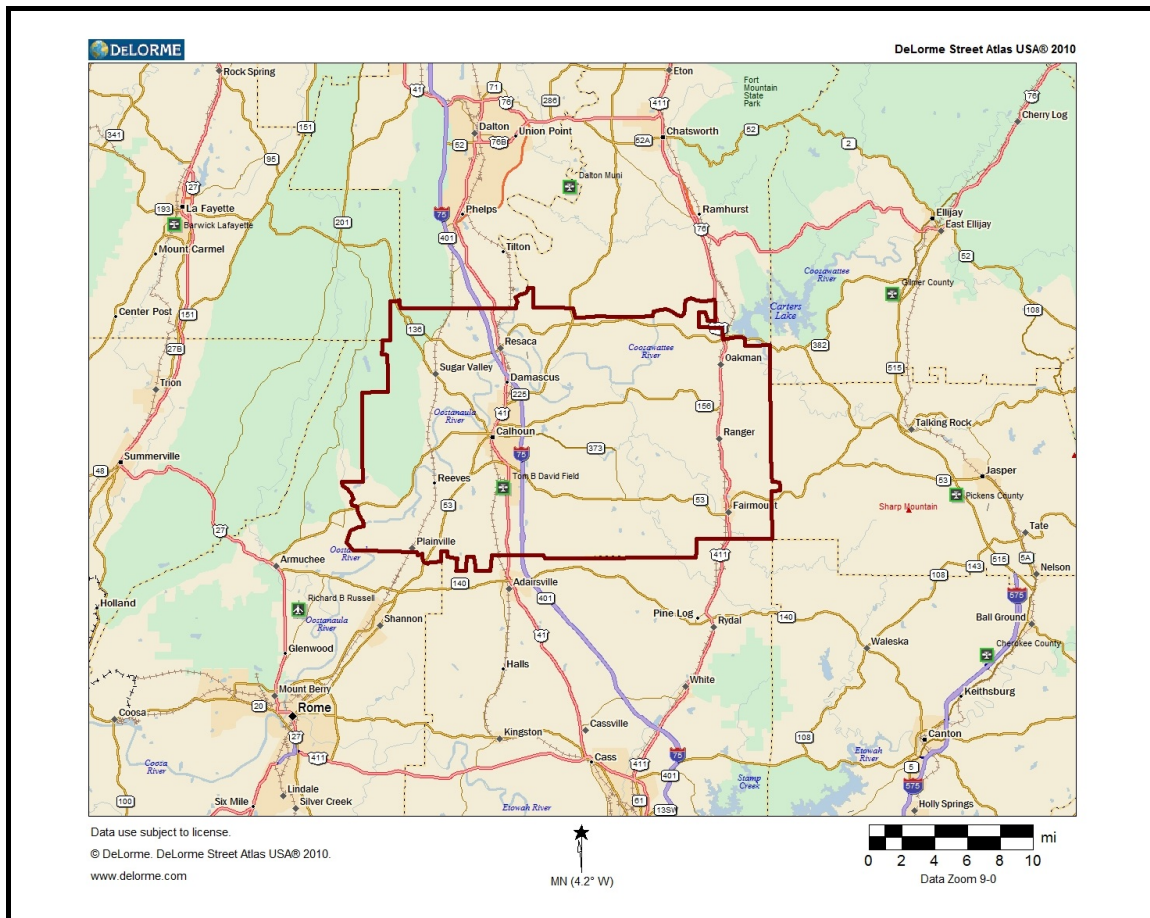
MARKET AREA

Market areas are defined on the basis of the consideration of many inter-related factors. These include consideration of the site location, consideration of socio-demographic characteristics of the area (tenure, income, rent-levels, etc.), local commuting patterns, physical (or other) boundaries, census geographies, and especially the location of comparable and/or potentially competing communities.

In communities such as county seats where that community is the county's largest community and is centrally located and can draw from the entire county, the county may be the market area. In circumstances where there are potentially competing communities in one county, the market area will be that part of the county (and, potentially, portions of adjacent counties) which the proposed development is most likely to draw from. Here, a combination of census county subdivisions (townships) may be used to define the market area. In urban or suburban markets, the market area will be areas adjacent to the site and will extend to all locations of relatively similar character, and with residents or potential residents likely to be interested in the project. Here combinations of census county subdivisions (townships) or combinations of census tracts, may be used to define the market area.

Calhoun is located in central Gordon County in north-western Georgia. The market area for the proposed development is Gordon County. This area is focused on Calhoun, and extends to an approximately eight-to-15 mile hinterland. The area excludes neighboring and potentially competing communities such as Dalton and Rome. This area is that which constitutes the geographic area immediately adjacent to the site and extends to all locations of relatively similar character and with residents or potential residents likely to be interested in the proposed project. As such, this market area is the community where the project is to be located and only those outlying areas which will be directly impacted by the complex, and excludes other significant, established communities.

In accordance with Georgia DCA recommendations, this market area is considered both reasonable and somewhat conservative in order to ensure that demand is not overstated when, as required, demand calculations are adjusted to account for potential demand from outwith this area, as defined.



Project market area

COMMUNITY DEMOGRAPHIC DATA

POPULATION TRENDS AND PROJECTIONS

In 2000, the population of Gordon County was 44,014, and in 2010 the population was recorded as 55,186. There are no official population projections at the county level in Georgia which incorporate 2010 Census data. Here, it is conservatively estimated that growth beyond 2010 is equivalent to one-half that recorded between 2000 and 2010 (reflecting recent economic circumstances). Thus, the population of the County is projected to be 56,463 by 2012, and to be around 58,438 by 2014.

Information on population trends and changes between 2000 and 2014 are set out in Table 1, below.

Table 1 - Population

	Calhoun	Gordon County
2000	10,667	44,014
2010	15,650	55,186
2012	n/a	56,463
2014	n/a	58,438
absolute change		
2000-2010	4,983	11,172
2010-2012	n/a	1,277
2012-2014	n/a	1,975
annual change		
2000-2010	498	1,117
2010-2012	n/a	638
2012-2014	n/a	987

Source: 2000 Census and 2010 Census; John Wall and Associates

AGE

The distribution of the population, by age, for Calhoun and for Gordon County are set out in Table 2, below. These data are from the 2010 Census. Here it is seen that the median age of the population of Calhoun was recorded as 33.2 years, with that for the county being 36.0 years.

Table 2 - Age Distribution

	Calhoun		Gordon County	
	number	percent	number	percent
Under 5 years	1,345	8.6	4,110	7.4
5 to 9 years	1,217	7.8	4,142	7.5
10 to 14 years	1,106	7.1	4,060	7.4
15 to 19 years	1,082	6.9	4,096	7.4
20 to 24 years	1,170	7.5	3,312	6.0
25 to 29 years	1,189	7.6	3,492	6.3
30 to 34 years	1,094	7.0	3,612	6.5
35 to 39 years	1,089	7.0	3,994	7.2
40 to 44 years	1,085	6.9	4,011	7.3
45 to 49 years	1,056	6.7	4,138	7.5
50 to 54 years	872	5.6	3,614	6.5
55 to 59 years	763	4.9	3,250	5.9
60 to 64 years	698	4.5	2,932	5.3
65 to 69 years	591	3.8	2,306	4.2
70 to 74 years	430	2.7	1,628	3.0
75 to 79 years	368	2.4	1,152	2.1
80 to 84 years	251	1.6	762	1.4
85 to 89 years	162	1.0	394	0.7
90 years and over	82	0.5	181	0.3
median	33.2		36.0	

Source: 2010 Census; John Wall and Associates

HOUSEHOLD TRENDS AND PROJECTIONS

Projections of the number of households for Calhoun and for Gordon County are set out in Table 3 below. These projections are based on the population projections set out, above.

The projection is that in 2012 the project market area will have around 20,058 households, and around 20,527 in 2014. In 2010, there were 19,715 households in the market area.

Table 3- Household Trends

	Calhoun	Gordon County
2000	4,049	16,173
2010	5,711	19,715
2012	n/a	20,058
2014	n/a	20,527
absolute change		
2000-2010	1,662	3,542
2010-2012	n/a	343
2012-2014	n/a	469
annual change		
2000-2010	166	354
2010-2012	n/a	171
2012-2014	n/a	234

Source: 2000 Census and 2010 Census; John Wall and Associates

TENURE

Table 4, below, sets out the number and proportion of owner and renter households for Calhoun and for Gordon County. In the years beyond 2010, the tenure proportions are assumed to be the same as for 2010. In 2010, 33.1 percent of households in the market area were renters, compared with 55.7 percent for Calhoun.

Table 4 - Tenure

Calhoun			persons per	Owner-occupied		Renter-occupied	
	population	households	household	number	percent	number	percent
2000	10,667	4,049	n/a	2,007	49.6	2,042	50.4
2010	15,650	5,711	2.74	2,529	44.3	3182	55.7
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Gordon County			persons per	Owner-occupied		Renter-occupied	
	population	households	household	number	percent	number	percent
2000	44,014	16,173	2.72	11,606	71.8	4,567	28.2
2010	55,186	19,715	2.80	13,197	66.9	6,518	33.1
2012	56,463	20,058	2.82	13,427	66.9	6,631	33.1
2014	58,438	20,527	2.85	13,740	66.9	6,786	33.1

Source: 2000 Census and 2010 Census; John Wall and Associates

HOUSEHOLD SIZE

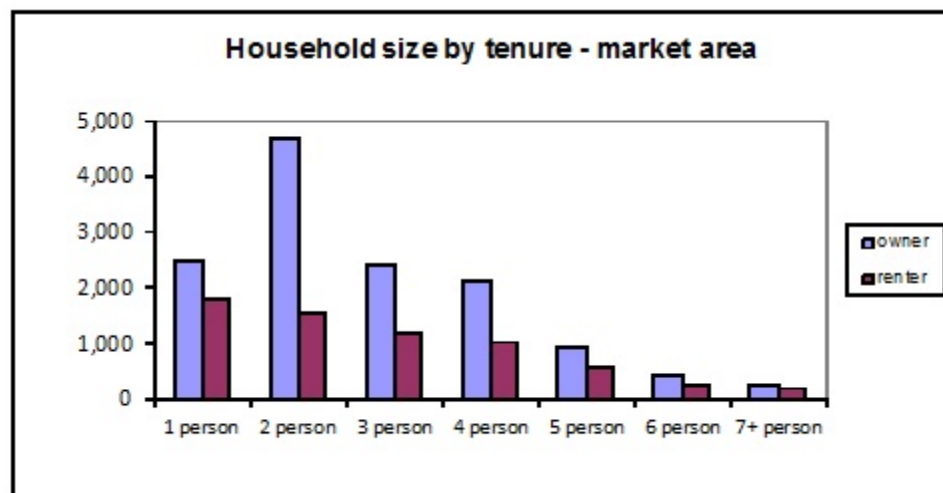
Table 5 below, sets out household size, by tenure, for households in Calhoun, and Gordon County.

Table 5 - Household Size, by Tenure

	Calhoun		Gordon County	
	owner	renter	owner	renter
1 person	535	1,049	2,482	1,780
2 person	901	698	4,657	1,541
3 person	409	552	2,381	1,191
4 person	382	441	2,117	1,009
5 person	178	252	918	579
6 person	78	106	397	236
7+ person	46	84	245	182

Source: 2010 Census; John Wall and Associates

The distribution of household sizes, by tenure, for the market area is illustrated, below.



INCOME

The distribution of household incomes for Calhoun, the project market area, and for Gordon County are set out in Table 6, below. The median household income for Calhoun is around \$31,050 and that for the County is around \$40,916. These figures are taken from the 2006 to 2010 American Community Survey, and as such are subject to the limitations imposed by this source.

Table 6 - Household Income

	Calhoun		Gordon County	
	number	percent	number	percent
less than \$10,000	602	10.7	1,694	8.8
\$10,000 to \$14,999	762	13.5	1,686	8.8
\$15,000 to \$19,999	541	9.6	1,430	7.4
\$20,000 to \$24,999	435	7.7	1,317	6.8
\$25,000 to \$29,999	396	7.0	1,104	5.7
\$30,000 to \$34,999	336	5.9	1,065	5.5
\$35,000 to \$39,999	257	4.5	1,146	6.0
\$40,000 to \$44,999	195	3.5	1,244	6.5
\$45,000 to \$49,999	243	4.3	827	4.3
\$50,000 to \$59,999	402	7.1	1,797	9.3
\$60,000 to \$74,999	318	5.6	1,844	9.6
\$75,000 to \$99,999	628	11.1	2,326	12.1
\$100,000 to \$124,999	244	4.3	975	5.1
\$125,000 to \$149,999	135	2.4	428	2.2
\$150,000 to \$199,999	112	2.0	162	0.8
\$200,000 or more	45	0.8	184	1.0

Source: 2006 to 2010 American Community Survey; John Wall and Associates

RENTER HOUSEHOLD INCOME

The distribution of household incomes for renter households for Calhoun and Gordon County are set out in Table 7, below. These figures are also taken from the 2006 to 2010 American Community Survey.

Table 7 - Household Income, Renter Households

	Calhoun		Gordon County	
	number	percent	number	percent
less than \$10,000	481	8.6	947	17.0
\$10,000 to \$19,999	1,769	31.7	1,769	31.7
\$20,000 to \$34,999	1,254	22.5	1,254	22.5
\$35,000 to \$49,999	694	12.4	331	5.9
\$50,000 to \$74,999	821	14.7	821	14.7
\$75,000 to \$99,999	344	6.2	343	6.1
\$100,000 or more	115	2.1	115	2.1

Source: 2006 to 2010 American Community Survey; John Wall and Associates

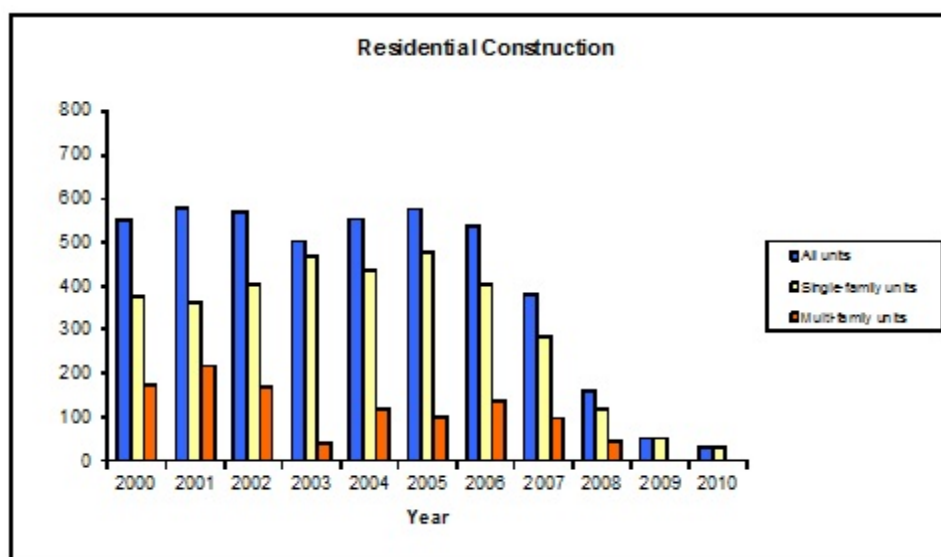
RESIDENTIAL CONSTRUCTION SINCE 2000

Table 8 below gives details of residential construction in Gordon County since 2000. Where the data exist, it can be seen that a total of 2,603 units were permitted in Calhoun and 4,517 units were permitted throughout the county as a whole. As can be seen from this table, construction levels have dropped-off very sharply since 2007.

Table 8 - Residential Construction Since 2000

	Gordon County			Calhoun		
	Total	single-family	multi-family	Total	single-family	multi-family
2000	549	375	174	271	97	174
2001	578	362	216	312	96	216
2002	569	404	165	273	110	163
2003	504	466	38	170	132	38
2004	551	436	115	220	111	109
2005	577	474	103	902	112	790
2006	537	402	135	221	86	135
2007	379	282	97	157	60	97
2008	159	117	42	65	23	42
2009	52	52	0	7	7	0
2010	33	33	0	5	5	0
2011	29	29	0	3	3	0
Total	4,517	3,432	1,085	2,603	842	1,548

Source: Current Construction Reports, C-40; Bureau of the Census; John Wall and Associates



EMPLOYMENT TRENDS

The distribution of covered private employment, by industry, for Gordon County in 2010 and 2011 (the data for 2011 is for the third quarter - the most recent data available). Data for 2010 (also for the third quarter) are set out in Table 9, below. As can be seen, the number of jobs reported rose from 18,979 in 2010 to 19,727 in 2011. From this table it is seen that the largest employment sector is manufacturing - which accounted for 40.5 percent of the total in 2011. Other significant sectors include retail trade and healthcare.

Table 9 - Employment by Industry, Gordon County

	2010 number 18,979	percent 100.0	2011 number 19,727	percent 100.0
Total				
Agriculture, Forestry, etc	86	0.5	93	0.5
Mining				
Utilities				
Construction	475	2.5	480	2.4
Manufacturing	7,470	39.4	7,993	40.5
Wholesale trade	711	3.7	780	4.0
Retail trade	2,057	10.8	2,102	10.7
Transp. and Warehousing	678	3.6	642	3.3
Information	153	0.8	137	0.7
Financial and Insurance	348	1.8	323	1.6
Real estate	100	0.5	102	0.5
Professional and Technical services	217	1.1	228	1.2
Management	73	0.4		
Administrative and Waste services	1,007	5.3	1,298	6.6
Educational services	1,435	7.6	1,388	7.0
Health Care and Social Assistance	1,865	9.8	1,863	9.4
Arts, Entertainment, Recreation	47	0.2	48	0.2
Accommodation and Food services	1,213	6.4	1,203	6.1
Other Services	168	0.9	184	0.9
Public Administration	807	4.3	790	4.0

Source: Georgia Department of Labor

EMPLOYMENT BY INDUSTRY, PROJECT MARKET AREA

This distribution of employment, by industry, for the Calhoun market area is set out in Table 10, below. This information is from the 2006 to 2010 American Community Survey (and as such is subject to the limitations of those data). Based on those data, the largest source of employment is manufacturing which accounts for 30.2 percent of the total. Other important sectors include retail trade and healthcare.

Table 10 - Employment by Industry, Calhoun Market Area

	number	percent
Agriculture, etc	357	1.5
Construction	1,926	8.0
Manufacturing	7,256	30.2
Wholesale trade	704	2.9
Retail trade	2,850	11.8
Transp, Warehousing	1,151	4.8
Utilities	290	1.2
Information	273	1.1
Finance, Insurance, Real Estate	670	2.8
Professional, scientific, management	1,493	6.2
Educational Services	1,633	6.8
Health care	2,185	9.1
Arts, entertainment, recreation	150	0.6
Accommodation and food services	1,144	4.8
Other services	852	3.5
Public Administration	1,119	4.7

Source: 2006 to 2010 American Community Survey: John Wall and Associates

COMMUTING

Based on data from the American Community Survey, 59.5 percent of workers resident in Calhoun were employed in Calhoun, with 74.8 percent employed in Gordon County as a whole. The average driving time to work for residents of Calhoun was 20.6 minutes.

Table 11 - Commuting Data

	number	percent
Total Workers	6,361	100.0
Worked in Place of residence	3785	59.5
Worked in County of residence	4758	74.8
Worked outside Place of residence	2576	40.5
Worked outside County of residence	1603	25.2
Mean travel time to work (minutes)	20.6	

Source: 2006 to 2010 American Community Survey; John Wall and Associates

MAJOR EMPLOYERS

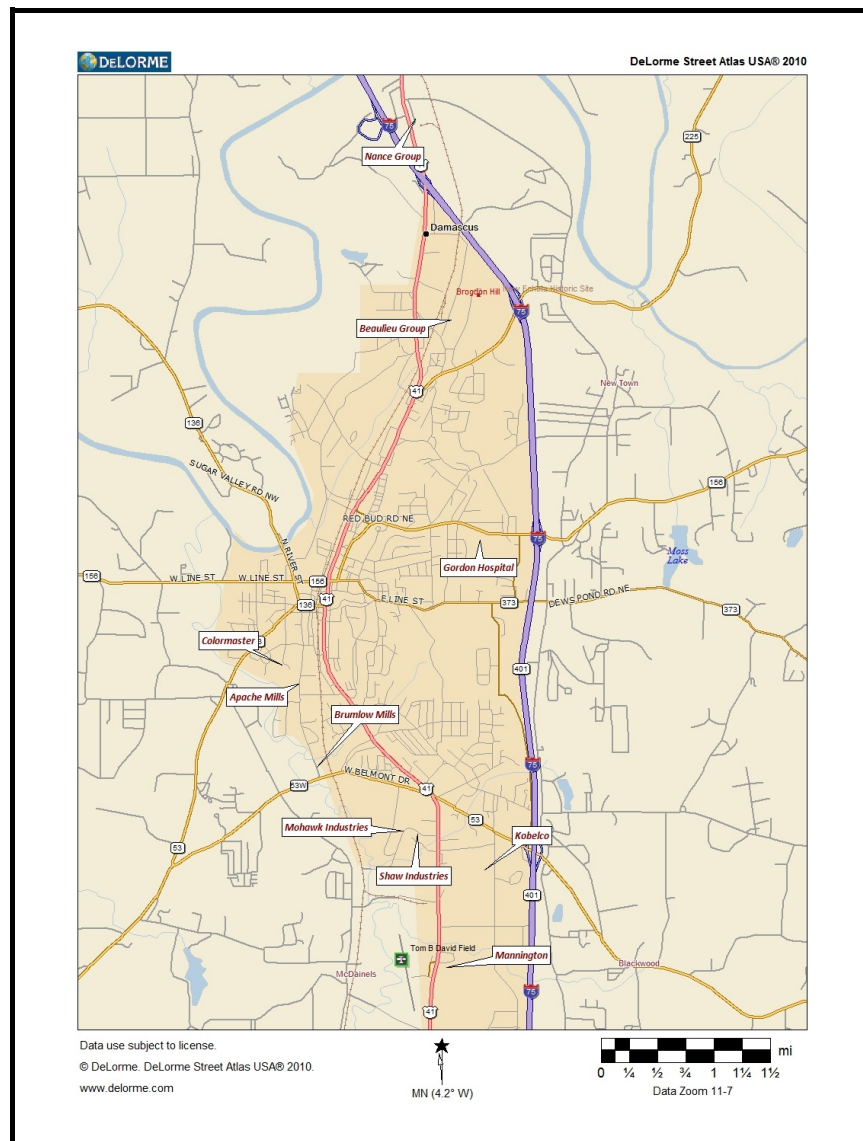
The major employers in Gordon County are listed in Table 12, below. From this table, it is seen that the largest employers include several manufacturers - notably Mohawk Industries and Shaw Industries. Non-manufacturers include the local hospital and local schools and governments.

Table 12 - Major Employers

<u>Firm</u>	<u>Employees</u>
Mohawk Industries	1,800
Shaw Industries Group	1,253
Gordon County Schools	973
Gordon Hospital	600
Mannington	520
Calhoun City Schools	397
Apache Mills	300+
Beaulieu Group	310
Gordon County	386
City of Calhoun	352
Nance Carpet and Rug	250
Engineered Floors	191
Brumlow Mills	150
Colormaster	120
Faus Group	120

Source: Gordon County Chamber of Commerce

Figures from the Georgia Department of Labor suggest that there have been a total of seven business closings or layoffs in Gordon County since 2007 - which have resulted in a total of 1,289 job losses. A representative of the Gordon County Chamber of Commerce notes that the Bard Holding Company has opened a new manufacturing facility locally, and that no existing businesses are undergoing expansions.



Major employers

LABOR FORCE AND EMPLOYMENT

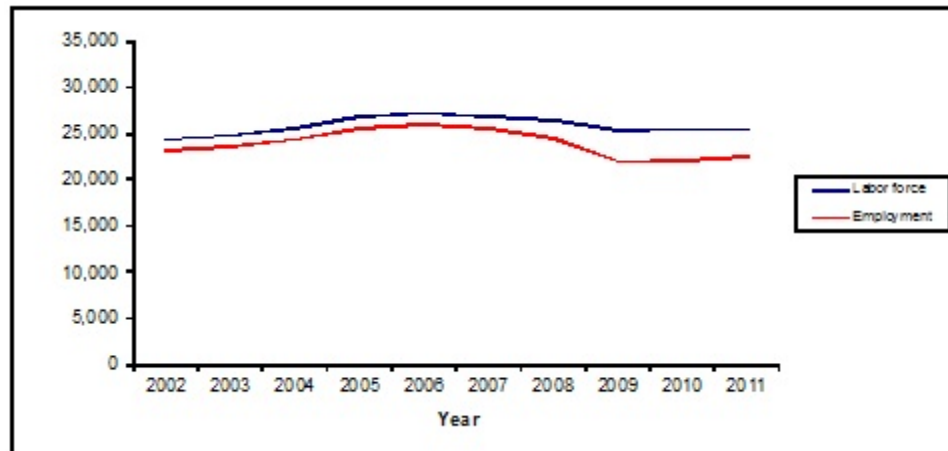
The makeup and trends of the labor force and employment have a strong influence on the growth and stability of the local housing market in general. In 2011, the most recent year for which annualized data are available, the Gordon County labor force comprised an estimated 25,425 persons. Of this total, 22,510 were employed and 2,915 or 11.5 percent were unemployed. Labor force has shown net growth over the last decade, but has fluctuated over that period - with growth in the early part of the decade and subsequent decreases in recent years. Employment levels also showed growth in the early part of the decade and decreased thereafter - recording a small net loss since 2002. Since 2002 the labor force has increased by 4.4 percent, and employment has decreased by 2.8 percent. Under these circumstances unemployment has increased from, for example 4.8 percent in 2007 to 12.8 percent in 2009 and 11.5 percent in 2011.

Given the current economic conditions, it is noteworthy that the most recent monthly estimate is for a labor force of 24,791, with 22,248 employed, and 2,543 unemployed. This represented a decrease in labor force from the same month the previous year (25,297). Over that year, employment fell (from 22,532), and the number unemployed decreased from 2,765- equivalent to a decrease in the rate of unemployment from 10.9 percent to 10.3 percent over that period. Under these circumstances it is difficult to predict labor force and employment levels in the short-term.

Table 13- Gordon County Labor Force and Employment

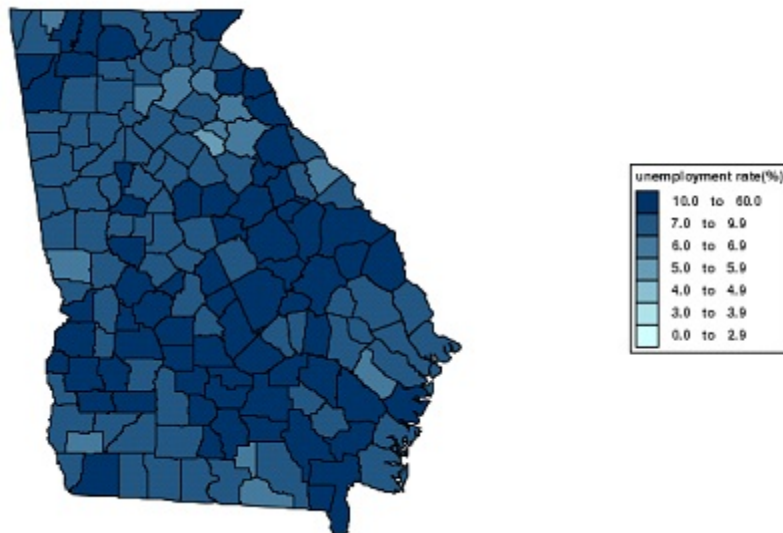
	<u>Labor Force</u>	<u>Employment</u>	<u>Total</u>	<u>Unemployment Rate (%)</u>
2002	24,355	23,162	1,193	4.9
2003	24,835	23,682	1,153	4.6
2004	25,563	24,427	1,136	4.4
2005	26,834	25,561	1,273	4.7
2006	27,140	25,955	1,185	4.4
2007	26,835	25,544	1,291	4.8
2008	26,497	24,519	1,978	7.5
2009	25,264	22,019	3,245	12.8
2010	25,367	22,148	3,219	12.7
2011	25,425	22,510	2,915	11.5
Apr-11	25,297	22,532	2,765	10.9
Apr-12	24,791	22,248	2,543	10.3

Source: U.S. Bureau of Labor Statistics



Current levels of unemployment throughout Georgia are illustrated, below

Unemployment rates by county, not seasonally adjusted, Georgia April 2012



Growth in labor force and employment can serve as a foundation for ongoing population and housing growth, which can translate into a need for more housing. Information from the above shows that whereas Gordon County has experienced growth over the first part of the last decade, that growth has been arrested and reversed in recent years.

PROJECT SPECIFIC DEMAND ANALYSIS

INCOME RESTRICTIONS

The market for the proposed apartments is derived from two principal sources: the population and household growth market, and from households currently living in the area who would move to the units were they made available.

Income is a key variable in the analysis of affordable housing markets. Of the 60 units proposed, 12 units will be targeted to households at 50 percent of the median, and 48 units will be targeted to households with incomes up to 60 percent of the median, and therefore qualify the apartments for low income housing tax credit status. The income limits for Gordon County are as follows:

Table 14 - Income Limits

	<u>50 percent</u>	<u>60 percent</u>
1 person	\$18,350	\$22,020
2 person	\$21,000	\$25,200
3 person	\$23,600	\$28,320
4 person	\$26,200	\$31,440
5 person	\$28,300	\$33,960
6 person	\$30,400	\$36,480

Source: HUD

The maximum housing expenses for the proposed units are based on the above income limits and assume an average 1.5 persons per household and that renters will pay no more than 30 percent of their incomes on housing expenses (rent plus utilities). These figures are as follows:

Table 15 - Maximum Housing Expense

	<u>50 percent</u>	<u>60 percent</u>
1 bedroom	\$492	\$590
2 bedroom	\$590	\$708
3 bedroom	\$681	\$818
4 bedroom	\$760	\$912

Source: John Wall and Associates.

The proposed rents and utility allowances at the proposed apartments are set out in Table 16, below. From this it can be seen that housing expenses at the proposed apartments fall at 98 percent of the maximum allowable units at the 50 percent level, and at 86 to 90 percent of the maximum figures for units at the 60 percent level.

Table 16 - Proposed Rents and Utility Allowances

<u>50 percent</u>	<u>Rent</u>	<u>Utilities</u>		
1 bedroom	\$388	\$97		
2 bedroom	\$461	\$121		
3 bedroom	\$520	\$152		
4 bedroom	\$570 (e)	\$180 (e)		
	<u>Maximum Rent</u>	<u>Proposed Rent</u>	<u>Proportion of Maximum (%)</u>	
1 bedroom	\$394	\$388	98.3	
2 bedroom	\$469	\$461	98.3	
3 bedroom	\$529	\$520	98.3	
4 bedroom	\$580	\$570	98.3	
<u>60 percent</u>	<u>Rent</u>	<u>Utilities</u>		
1 bedroom	\$425	\$97		
2 bedroom	\$504	\$121		
3 bedroom	\$596	\$152		
4 bedroom	\$650 (e)	\$180 (e)		
	<u>Maximum Rent</u>	<u>Proposed Rent</u>	<u>Proportion of Maximum (%)</u>	
1 bedroom	\$493	\$425	86.2	
2 bedroom	\$587	\$504	85.9	
3 bedroom	\$666	\$596	89.6	
4 bedroom	\$732	\$650	88.8	

(e) - estimate

Source: John Wall and Associates

AFFORDABILITY

There is no official lower income limit for the proposed apartments. However, for the purposes of this report it is assumed that tenants will pay no more than 35 percent of their income on housing costs (rent and utilities). The minimum income needed to afford the proposed units at their proposed rents are set out below. From this table it can be seen that incomes fall at around 42 percent of the area's median for units at 50 percent, and 45 to 47 percent of the area's median income for units at 60 percent of the median.

Table 17 - Minimum Incomes Needed to Afford the Proposed Apartments

<u>50 percent</u>	<u>Income Needed</u>	<u>Income as Proportion of Area Median (%)</u>
1 bedroom	\$16,629	42.3
2 bedroom	\$19,954	42.3
3 bedroom	\$23,040	42.3
4 bedroom	\$22,714	42.3
 <u>60 percent</u>		
1 bedroom	\$17,897	45.5
2 bedroom	\$21,429	45.4
3 bedroom	\$25,646	47.1
4 bedroom	\$28,457	46.8

Source: John Wall and Associates

Qualifying income ranges for the proposed tax credit units are a function of the income needed to afford the proposed units and the mandated upper income limits. The latter are a function of household size (where, following DCA guidelines, the maximum is based on a standard of 1.5 persons per bedroom, rounded up to the nearest whole number). The table below also shows that there is certain amount of overlap between income ranges – this occurs where households qualifying at one income level can afford the rents at another targeted income level. Consequently, demand calculations need to address this potential double-counting. Throughout this analysis, calculations by target income range will include calculations for each target income range. The qualifying income ranges are as set out below.

Table 18 - Qualifying Income Ranges

	50 percent	
	<u>lower income</u>	<u>upper income</u>
1 bedroom	\$16,629	\$21,000 ¹
2 bedroom	\$19,954	\$23,600 ²
3 bedroom	\$23,040	\$28,300 ³
4 bedroom	\$25,714	\$30,400 ⁴

	60 percent	
	<u>lower income</u>	<u>upper income</u>
1 bedroom	\$17,897	\$25,200 ¹
2 bedroom	\$21,429	\$28,320 ²
3 bedroom	\$25,646	\$33,960 ³
4 bedroom	\$28,457	\$36,480 ⁴

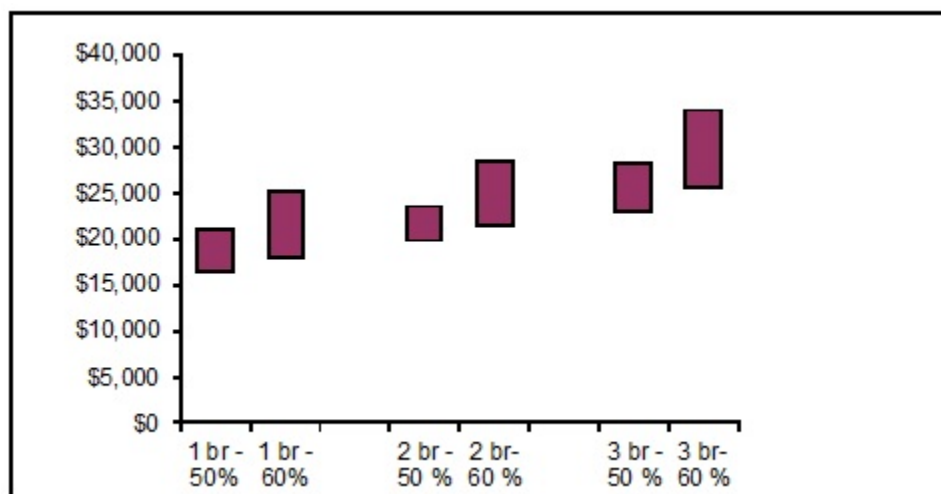
¹ based on two-person household size

² based on three-person household size

³ based on five-person household size

⁴ based on six-person household size

Source: John Wall and Associates



The major variables to be examined are tenure and income. These data are no longer available from the Decennial Census. Nonetheless, data can be extrapolated from the most recent American Community Survey - again, subject the limitations of those data. These data, for the market area for the proposed complex, are set out below.

Table 19 - Household Income, Renter Households

<u>Income</u>	<u>All Renters</u>		<u>Overburdened Renters</u>	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
Up to \$10,000	947	17.0	707	25.3
\$10,000 - \$19,999	1,769	31.7	1,391	49.8
\$20,000 - \$34,999	1,254	22.5	587	21.0
\$35,000 - \$49,999	331	5.9	80	2.9
\$50,000 - \$74,999	821	14.7	28	1.0
\$75,000 - \$99,999	343	6.1	0	0.0
\$100,000 and over	115	2.1	0	0.0

Source: 2006 to 2010 American Community Survey; John Wall and Associates

As noted, these data are necessarily from the American Community Survey and are based on the 5-year average for the period from 2006 to 2010 - and not for a specific year.

From this Table it can be seen that 17.0 percent of the market area renter households have incomes less than \$10,000 and a further 31.7 percent have incomes between \$10,000 and \$20,000. This table also illustrates how rent overburdened households are concentrated in the lower income groups. Around 50 percent of all renters are overburdened – 75.1 percent of which have incomes below \$20,000.

Based on the income ranges set out in Table 18 and the income distribution set out in Table 19, it is found that around 8.1 percent of market area renter households qualify for units at 50 percent of the median, and 11.9 percent qualify at 60 percent of the median (and 15.5 percent, overall).

NEW HOUSEHOLDS

Based on the projections set out in Table 4, a total of 268 new rental units are needed between 2010 and 2014. There will be around 42 new renter households in the qualifying income ranges for the proposed development over this projection period (excluding overlapping income ranges) – of these, 22 will qualify at 50 percent of the median, and 32 will qualify for units at 60 percent of the median.

EXISTING HOUSEHOLDS

Again, the market for the proposed apartments comprises not only demand from population and household growth, but also from existing renter households who would move to the new apartments were they made available. The extent to which any new development is able to attract a certain share of this market is largely a factor of several interrelated factors. These include the location of the development, the amenities it offers, the quality of design and the effectiveness of the development's marketing and management. That is, the perceived value of the community in terms of price, convenience, and life-style.

Our calculations show that there will be a total of 1,051 renter households in the qualifying income ranges in the project market area. Here, there will be 525 renters qualifying at 50 percent of the median, and 808 renters will qualify for units at 60 percent of the median. These figures have to be adjusted to reflect the proportion that are likely to move to a new complex. The American Housing Survey for the United States in 1999 showed that around 35.9 percent of all renters moved in the previous 12 month period. Information from the 2000 Census suggests that the corresponding proportion for Georgia was around 34.6 percent. With respect to existing households in the project market area, it is found that, based on Census data, around 54.0 percent of renters in the 50 percent target income range are rent-overburdened, with around 50.2 percent in the 60 percent range being rent overburdened. Here, these proportions are applied to the number of income eligible existing households to estimate how many of those households are likely to consider moving to the proposed apartments.

State Agency market study guidelines allow for the replacement of physically substandard rental units. HUD and USDA market guidelines allowed for the calculation of the replacement of units due to demolition or abandonment or obsolescence. USDA guidelines suggested one percent per year. The HUD publication "Components of Inventory Change: 2001 to 2003" (Published in August, 2005) provides information on housing units lost over the two-year period. For example, the overall average loss for rental units was around 1.60 percent (0.80 percent per year), as that for rental units renting for less than \$600 per month was around 2.01 percent (1.00 percent per year), and that for rental units occupied by households with incomes below \$30,000 per year was 2.09 percent (1.05 per year). Based on a 1.0 percent per year figure, and using the number of rental units in the project market area, this translates to a need for an additional 19 units (excluding overlap): ten units for households at 50 percent of the median, and 15 units at 60 percent of the median.

Georgia DCA market studies require consideration of potential demand from outside the primary market area, as defined. Potential demand from this source is assumed to amount to 115 percent of that from the primary market area. Thus, this translates to additional 90 units: 50 units at 50 percent, and 68 units at 60 percent.

These calculations are summarized in the following table.

Table 20 - Demand Calculations

	<u>50 percent</u>	<u>60 percent</u>	<u>Total¹</u>
(i) New renter households	22	32	42
(ii) Existing renter households	554	808	1,051
(iii) Existing renter households, likely to move	299	405	539
(iv) Replacement of obsolete rental units	10	15	19
(v) Adjustment for secondary market area	50	68	90
Total demand (i) + (iii) + (iv) + (v)	380	520	689

¹ excluding overlap

Source: John Wall and Associates

DEMAND

Thus, the overall need is for 689 units: 380 units at 50 percent of the median, and 520 units at 60 percent of the median. This total demand has to be segmented to determine demand by number of bedrooms per unit. Based on the distribution of household size in the market area and given data from the American Housing Survey correlating typical household size and number of bedrooms, we have determined that one-bedroom units should account for 24 percent of the total, two-bedroom units should account for 46 percent of the total, and three-bedroom units should account for 25 percent of the total (with four- or more bedroom units accounting for 5 percent).

SUPPLY

These figures are based on a 2010 to 2014 projection period and therefore have been corrected to account for the funding and/or construction of any directly comparable projects in the market area. No comparable complexes are under construction and/or funded for future construction over the projection period. The net need is therefore for 689 units.

Table 21 - Demand Calculations and Capture Rates

Overall Demand	<u>50 percent</u>	<u>60 percent</u>	<u>Total¹</u>
1 bedroom	92	126	167
2 bedroom	173	237	314
3 bedroom	94	129	171
4 bedroom	20	28	37
Total	380	520	689
Supply			
1 bedroom	0	0	0
2 bedroom	0	0	0
3 bedroom	0	0	0
4 bedroom	0	0	0
Total	0	0	0
Net Demand			
1 bedroom	92	126	167
2 bedroom	173	237	314
3 bedroom	94	129	171
4 bedroom	20	28	37
Total	380	520	689
Units proposed			
1 bedroom	3	9	12
2 bedroom	6	24	30
3 bedroom	3	15	18
4 bedroom	0	0	0
Total	12	48	60
Capture rates			
1 bedroom	3.3%	7.2%	7.2%
2 bedroom	3.5%	10.1%	9.5%
3 bedroom	3.2%	11.6%	10.5%
4 bedroom	0.0%	0.0%	0.0%
Total	3.2%	9.2%	8.7%

¹ Excluding overlap

Source: John Wall and Associates

CAPTURE RATES

Given the calculated need, a 60-unit development amounts to 8.7 percent of the total net need. The corresponding capture rate for units targeted at 50 percent of the median is 3.2 percent and the capture rates for units targeted at 60 percent of the median is 9.2 percent. The capture rates for the potential one-, two-, and three-bedroom units are calculated to be 7.2 percent, 9.5 percent, and 10.5 percent, respectively. These various capture rates suggest that the project is feasible based on DCA criteria¹.

ABSORPTION RATES

Our review of the capture rates for the proposed development suggest that the project is realistic, as proposed. Thus, in our opinion, the size of the project, the site location, and capture rates suggest that the project could expect to rent-up over a 120-day period, or so² (given that the project is presumed to be placed in-service in the second quarter of the year - which is advantageous - and that there is a professional pre-leasing program). This translates to an average of 20 units per month.

¹ Project feasibility will be based on market capture rates less than 30 percent for all efficiency, one - and two - bedroom units, less than 40 percent for all three-bedroom units, less than 50 percent for all four-bedroom units in the project.

In rural counties, (as defined), project feasibility will be based on market capture rates of 35 percent or less for all efficiency, one -bedroom units, 35 percent or less for all two-bedroom units, 40 percent or less for all three-bedroom units and 50 percent or less for all four- or more bedroom units in the project. In addition, project feasibility will be based on capture rates of less than 35 percent for all tax credit units, less than 35 percent for all market rate units and less than 35 percent for the project as a whole.

Market capture rates for each target income range shall not exceed 70 percent for all proposed bedroom types, (for example, the capture rate for all efficiency, 1, 2, 3, and 4 bedroom units at 50 percent proposed should be less than 70 percent.)

² assuming a sustained, achievable, occupancy level of 93 percent.

Capture Rate Analysis Chart

Unit Size	Income Limits	Units Proposed	Total Demand	Supply	Net Demand	Capture Rate (%)	Absorption (days) (approx)	Average Market Rent	Market Rents Band Min-Max	Proposed Rents
30% AMI	1 Bdrm									
	2 Bdrm									
	3 Bdrm									
	4 Bdrm									
50% AMI	1 Bdrm	3	92	0	92	3.3	30	\$338	\$310-343	\$388
	2 Bdrm	6	173	0	173	3.5	60	\$461	\$435-550	\$461
	3 Bdrm	3	94	0	94	3.2	60	n/a	n/a	\$520
	4 Bdrm									
60% AMI	1 Bdrm	9	126	0	126	7.2	60	\$338	\$310-343	\$425
	2 Bdrm	24	237	0	237	10.1	120	\$461	\$435-550	\$504
	3 Bdrm	15	129	0	129	11.6	120	n/a	n/a	\$596
	4 Bdrm									
Market	1 Bdrm									
	2 Bdrm									
	3 Bdrm									
	4 Bdrm									
TOTAL	30% AMI									
For	50% AMI	12	380	0	380	3.2	60			
Project	60% AMI	48	520	0	520	9.2	120			
	Market									

SUPPLY ANALYSIS (COMPARABLE RENTAL DEVELOPMENTS)

At present there are several apartment complexes located in Calhoun. These include a few conventional, market rate properties, two properties financed with low income housing tax credits (one for families and one two-phase elderly property), and a significant amount of subsidized housing for very low income tenants (including public housing). These complexes have been identified and surveyed, and where useful information was made available to us, this is presented, below. Unfortunately, we were not able to obtain useful information from several properties - both market rate and subsidized projects.

The proposed development is an adaptive re-use project which will offer new, affordable, housing in the Calhoun area. As such, it is quite unique - and consequently there are no properties in the area at present which can be considered directly comparable. This is the case not merely by virtue of the type of housing proposed but also in terms of age, features, and amenities.

Eastgate is the only tax credit financed, unsubsidized, complex for family renters. The property is located on Richardson Road, and offers a total of 56 units, which opened in 2001. There is a mix of one-, two-, and three-bedroom units which are targeted to households at 50 and 60 percent of the median. Rents are \$375, \$447 to \$475, and \$505 to \$525, per month. Currently, no units are reported to be vacant. Occupancy levels for the last five years are reported as follows: 2006: 94 percent, 2007: 94 percent, 2008: 92 percent, 2009: 96 percent, 2010: 98 percent, 2011: 94 percent, and 2012, to date: 98 percent.

Market rate complexes are typically relatively few, relatively small, relatively old, and are in average to fair physical condition. As noted, some owners/managers declined to provide comprehensive data - which to a certain extent, illustrates the extent to which the market is relatively small and not comparable to a larger urban or suburban market which would offer large, new, complexes that would be professionally managed by large regional or national management entities.

The largest market rate complex in Calhoun is Park Brook. This complex opened in 1989 and offers a total of 88 units. Here, there are 40 one-bedroom units and 48 two bedroom units. The latter have one and one-half bathrooms - which is typical for the market. The fact that the proposed development will offer new units with two bathrooms in the two- and three-bedroom units, gives the proposed development a distinct marketing advantage. Rents at Park Brook are reported to be \$343 and \$463. Currently, no units are vacant. Typical occupancy, however, was reported at 98 percent - with a waiting list.

Holly Hill has a total of 52 units, built between 1975 and 1985. All 52 units have two bedrooms with, again, one and one-half baths. Rents are \$450 to \$550 - or around \$0.45 per square foot. Ongoing occupancy is reported to be around 95 percent. Gardens Heights offers a total of 48 units - eight one-bedroom units and 40 two bedroom units. Rents are reported at \$310 and \$435, for the one- and two-bedroom units, respectively. Currently, there are four vacancies - with ongoing occupancy at 97 percent. There are 16 units at Clermont - all two-bedroom units, built in 1997. Here, rents are \$535. Typical occupancy is reported to be between 95 and 100 percent.

The proposed development will offer a project that is newer and in better physical condition, with better amenities, than is the norm in the conventional market in Calhoun at present. The proposed mix of rents, unit, types, and unit sizes are considered appropriate for a new tax credit property in this community.

This sample is relatively small - reflecting the size and nature of the local market - and as such yields summary data of limited usefulness - for example, none of these properties offer three bedroom units.

There are several subsidized complexes in the Calhoun area - these include HUD and USDA/Rural Development Rural Rental Housing complexes. These complexes are relatively old and are in fair/average physical condition, reflecting their age. Again, many of these complexes did not furnish information for our survey.

HUD Fair Market Rents range from \$487 for a one-bedroom unit to \$748 for a three-bedroom unit. Using the utility allowances for the subject property, this suggests rents of \$390, \$504, and \$596 for one-, two-, and three-bedroom units.

Georgia DCA market study guidelines require the determination of average market rents. Given the limitations of the Calhoun market, these averages are found to be \$338 for a one-bedroom unit and \$461 for a two-bedroom unit. These rent levels are seen to reflect the age, physical condition, and relative lack of features and amenities of the few market rate properties in the market area - not an adjusted or achievable rent for the proposed development.

Overall occupancy in the complexes surveyed and for which useful information was provided amounted to 97.9 percent. Occupancy in the market rate properties amounted to 97.4 percent. Occupancy in the existing tax credit project was reported at 100.0 percent. There are no data available for market-wide occupancy levels over the last several years, nor are occupancy projections available.

The existing developments in our survey are summarized as follows:

Complex name	Financing	Year built	Total units	Vacant units	Occupancy (%)
Calhoun Gardens	HUD § 8	1978	76	2	97.4
Clermont	conventional	1997	16	0	100.0
<i>Eastgate</i>	<i>LIHTC</i>	<i>2001</i>	<i>56</i>	<i>0</i>	<i>100.0</i>
Garden Heights	conventional	n/a	48	4	91.7
Holly Hill	conventional	1980	52	n/a	n/a
Park Brook	conventional	1989	88	n/a	100.0

tax credit units in italics

Number of Units

Complex name	Total	0 br	1 br 1 ba	2 br 1 ba	2 br 1.5 ba	2br 2 ba	3 br 1 ba	3 br 1.5 ba	3 br 2 ba	3 br 2.5 ba	3 br 3 ba	4 br
Calhoun Gardens	76	-	49	22	-	-	-	5	-	-	-	-
Clermont	16	-	-	-	16	-	-	-	-	-	-	-
Eastgate	56	-	12	32	-	-	-	-	12	-	-	-
Garden Heights	48	-	8	-	40	-	-	-	-	-	-	-
Holly Hill	52	-	-	-	52	-	-	-	-	-	-	-
Park Brook	88	-	40	-	48	-	-	-	-	-	-	-

tax credit units in italics

Rent

Complex name	Total	0 br	1 br 1 ba	2 br 1 ba	2 br 1.5 ba	2br 2 ba	3 br 1 ba	3 br 1.5 ba	3 br 2 ba	3 br 2.5 ba	3 br 3 ba	4 br
Calhoun Gardens	76	-	boi	boi	-	-	-	boi	-	-	-	-
Clermont	16	-	-	-	535	-	-	-	-	-	-	-
Eastgate	56	-	375	461	-	-	-	-	515	-	-	-
Garden Heights	48	-	310	-	435	-	-	-	-	-	-	-
Holly Hill	52	-	-	-	518	-	-	-	-	-	-	-
Park Brook	88	-	343	-	463	-	-	-	-	-	-	-

tax credit units in italics

boi - based on income

Square Feet

Complex name	Total	0 br	1 br 1 ba	2 br 1 ba	2 br 1.5 ba	2br 2 ba	3 br 1 ba	3 br 1.5 ba	3 br 2 ba	3 br 2.5 ba	3 br 3 ba	4 br
Calhoun Gardens	76	-	n/a	n/a	-	-	-	n/a	-	-	-	-
Clermont	16	-	-	-	1050	-	-	-	-	-	-	-
Eastgate	56	-	684	829	-	-	-	-	1100	-	-	-
Garden Heights	48	-	n/a	-	n/a	-	-	-	-	-	-	-
Holly Hill	52	-	-	-	1100	-	-	-	-	-	-	-
Park Brook	88	-	650	-	1060	-	-	-	-	-	-	-

tax credit units in italics

boi - based on income

Rent/sq.ft.

Complex name	Total	0 br	1 br 1 ba	2 br 1 ba	2 br 1.5 ba	2br 2 ba	3 br 1 ba	3 br 1.5 ba	3 br 2 ba	3 br 2.5 ba	3 br 3 ba	4 br
Calhoun Gardens	76	-	n/a	n/a	-	-	-	n/a	-	-	-	-
Clermont	16	-	-	-	\$0.51	-	-	-	-	-	-	-
Eastgate	56	-	\$0.55	\$0.56	-	-	-	-	\$0.47	-	-	-
Garden Heights	48	-	n/a	-	n/a	-	-	-	-	-	-	-
Holly Hill	52	-	-	-	\$0.47	-	-	-	-	-	-	-
Park Brook	88	-	\$0.53	-	\$0.44	-	-	-	-	-	-	-

tax credit units in italics



Calhoun Gardens

Location: 110 Richardson Road, Calhoun
 Financing: HUD §8
 Year built: 1978

Total units: 76
 Rental assistance:
 Typical occupancy: 100 % (waiting list)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>	<u>3 br/1½ ba</u>
Units:	49	22	5
Unit size (sq. ft.):	n/a	n/a	n/a
Contract rent:	\$494	\$573	\$677
Rent/sq. ft.:	n/a	n/a	n/a
Vacant units: n/a			

Management Ambling Management (706.629.0941)

Utilities in rent: Water ☒ Sewer ☒ Trash ☒ Heat ☐ Electricity ☐

Amenities: Club House/fitness center ☐ Pool ☐ Tennis ☐ Playground ☒ Business Center ☐
 Security gate ☐ Garages (\$) ☐ Laundry ☒

Appliances: Refrigerator ☒ Range/oven ☒ Microwave ☒ Dishwasher ☒ Disposal ☒
 Washer/Dryer ☐ Washer/Dryer Hook-up ☒

Unit features: Blinds/Drapes ☒ Carpet ☒ AC ☒ Fireplaces (\$) ☐ Patios/balconies ☐



Clermont

Location: Peters Street, Calhoun
Year built: 1997

Total units: 16
Typical occupancy: 88-100%

2 br/1½ ba

Units: 16
Unit size (sq. ft.): 1,050
Rent: \$535
Rent/sq ft.: \$0.51
Vacant units: 1

Management Owner Managed (706.625.3862)

Utilities in rent: Water ☐ Sewer ☐ Trash ☒ Heat ☐ Electricity ☐

Amenities: Club House/fitness center ☐ Pool ☐ Tennis ☐ Playground ☐ Business Center ☐
Security gate ☐ Garages ☐ Laundry ☐

Appliances: Refrigerator ☒ Range/oven ☒ Microwave ☐ Dishwasher ☒ Disposal ☐
Washer/Dryer ☐ Washer/Dryer Hook-up ☒

Unit features: Blinds/Drapes ☒ Carpet ☒ AC ☒ Fireplaces (\$) ☐ Patio/balconies ☐



Eastgate

Location: 420 Richardson Road, SE, Calhoun
Year built: 2001

Total units: 56
Typical occupancy: 98%

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>	<u>3 br/2 ba</u>
Units:	12	32	12
Unit size (sq. ft.):	684	829	1,100
Rent:	\$375*	\$447*	\$505-550*
Rent/sq. ft.:	\$0.53*	\$0.54*	\$0.46*
Vacant units:	0	0	0

Management Calhoun Affordable Housing Development Inc. (706.602.4952)

Utilities in rent: Water ☒ Sewer ☒ Trash ☒ Heat ☐ Electricity ☐

Amenities: Club House/community center ☐ Pool ☐ Tennis ☐ Playground ☒ Business Center ☐
Security gate ☐ Garages (\$) ☐ Laundry ☒

Appliances: Refrigerator ☒ Range/oven ☒ Microwave ☐ Dishwasher ☒ Disposal ☒
Washer/Dryer ☐ Washer/Dryer Hook-up ☒

Unit features: Blinds/Drapes ☒ Carpet ☒ AC ☒ Fireplaces (\$) ☐ Patios/balconies ☐

*Tax credit



Garden Heights

Location: 465 Red Bud Road, Calhoun
Year built: n/a

Total units: 48
Typical occupancy: 95%

	<u>1 br/1 ba</u>	<u>2 br/1½ ba</u>
Units:	8	40
Unit size (sq. ft.):	n/a	n/a
Rent:	\$310	\$435
Rent/sq. ft.:	n/a	n/a
Vacant units: 3 overall		

Management Hall Realty (706.629.7868)

Utilities in rent: Water ☐ Sewer ☐ Trash ☒ Heat ☐ Electricity ☐

Amenities: Club House/fitness center ☐ Pool ☐ Tennis ☐ Playground ☐ Business Center ☐
Security gate ☐ Garages (\$) ☐ Laundry ☐

Appliances: Refrigerator ☒ Range/oven ☒ Microwave ☐ Dishwasher ☒ Disposal ☐
Washer/Dryer ☐ Washer/Dryer Hook-up ☒

Unit features: Blinds/Drapes ☐ Carpet ☒ AC ☒ Fireplaces (\$) ☐ Patio/balconies ☐



Holly Hill

Location: Holly Hill Drive, Calhoun
Year built: 1975-85

Total units: 52
Typical occupancy: 95%

2 br/1½ ba

Units: 52
Unit size (sq. ft.): 1,100
Rent: \$485-550
Rent/ sq. ft.: \$0.47
Vacant units: n/a

Management Stepp Realty (706.629.8641)

Utilities in rent: Water ☐ Sewer ☐ Trash ☒ Heat ☐ Electricity ☐

Amenities: Club House/fitness center ☐ Pool ☐ Tennis ☐ Playground ☐ Business Center ☐
Security gate ☐ Garages (\$) ☐ Laundry ☐

Appliances: Refrigerator ☒ Range/oven ☒ Microwave ☐ Dishwasher ☒ Disposal ☐
Washer/Dryer ☐ Washer/Dryer Hook-up ☒

Unit features: Blinds/Drapes ☐ Carpet ☒ AC ☒ Fireplaces (\$) ☐ Patios/balconies ☐

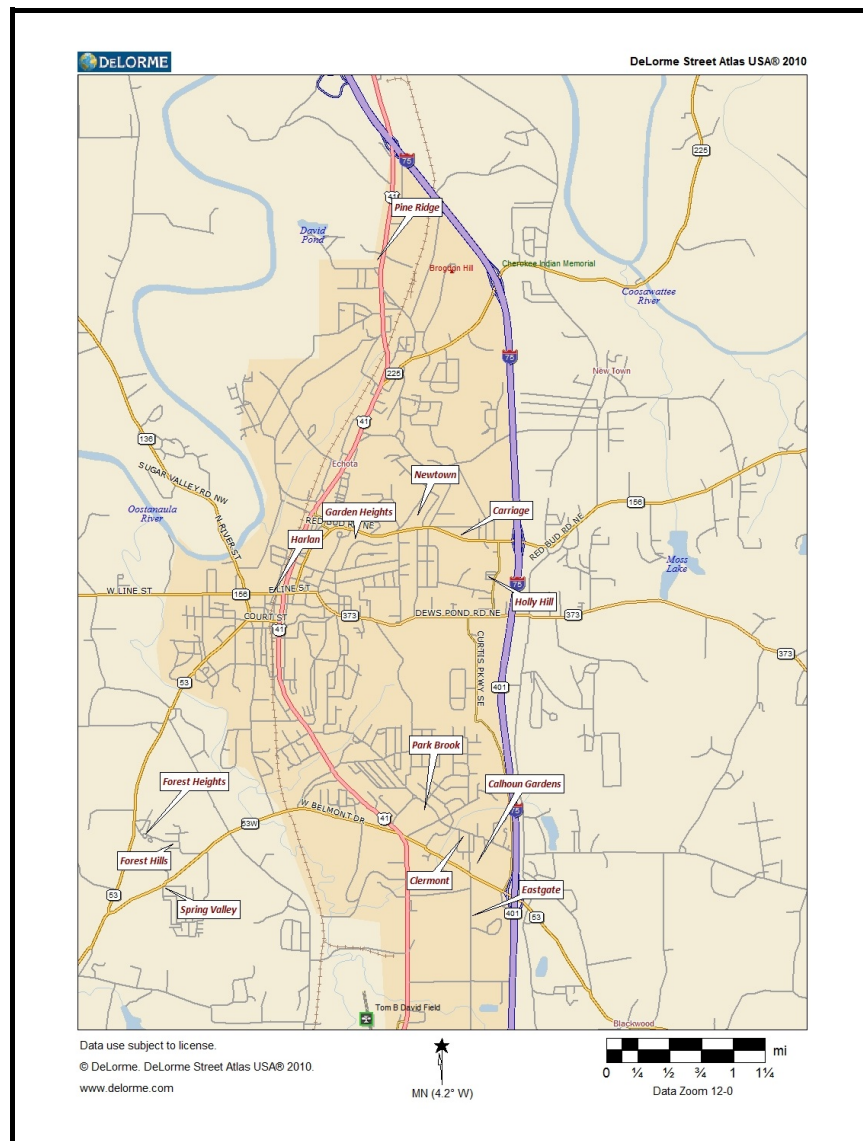


Park Brook

Location: 511 Peters Street, Calhoun
Year built: 1989

Total units: 88
Typical occupancy: 98%

	<u>1 br/1 ba</u>	<u>2 br/1½ ba</u>
Units:	40	48
Unit size (sq. ft.):	650	1,060
Rent:	\$343	\$463
Rent/sq ft.:	\$0.53	\$0.44
Vacant units:	0	0
Management	Owner Managed (706.625.6900)	
Utilities in rent:	Water <input checked="" type="checkbox"/> Sewer <input checked="" type="checkbox"/> Trash <input checked="" type="checkbox"/> Heat <input type="checkbox"/> Electricity <input type="checkbox"/> Cable TV <input type="checkbox"/>	
Amenities:	Club House/fitness center <input type="checkbox"/> Pool <input checked="" type="checkbox"/> Tennis <input type="checkbox"/> Playground <input checked="" type="checkbox"/> Business Center <input type="checkbox"/> Security gate <input type="checkbox"/> Garages <input type="checkbox"/> Laundry <input checked="" type="checkbox"/>	
Appliances:	Refrigerator <input checked="" type="checkbox"/> Range/oven <input checked="" type="checkbox"/> Microwave <input type="checkbox"/> Dishwasher <input checked="" type="checkbox"/> Disposal <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Washer/Dryer Hook-up <input checked="" type="checkbox"/>	
Unit features:	Blinds/Drapes <input checked="" type="checkbox"/> Carpet <input checked="" type="checkbox"/> AC <input checked="" type="checkbox"/> Fireplaces (\$) <input type="checkbox"/> Patio/balconies <input checked="" type="checkbox"/>	



Existing apartment locations

INTERVIEWS

As part of the research for this market study, interviews were held with property managers, local government officials, and others with particular knowledge of the local housing market. The proposed development will offer an attractive, new, apartment complex - to be leased subject to the provisions of the Low Income Housing Tax Credit program. Property managers of existing complexes and/or other representatives of management companies were a major source of information.

As noted, property managers are a major source of information for a project such as that proposed (their contact details are provided as part of the rental survey set out in the previous pages).

Stacy Abernathy, of Calhoun Affordable Housing Development, Inc who operate Eastgate (the only other unsubsidized tax credit property catering to families), notes that Eastgate has a long waiting list and that the proposed project is very much needed. A representative of the local Chamber of Commerce commented on how attractive and appropriate the proposed complex was.

CONCLUSIONS AND RECOMMENDATIONS

It is our recommendation that, based upon our analysis, the proposed apartments should be developed as proposed. This conclusion is based on our analysis of the economic and demographic criteria of the project market area as defined and on our project specific demand analysis and survey of the supply of rental housing in the market--as set out in the foregoing report and summarized in the Executive Summary.

ANALYST QUALIFICATIONS

John Wall and Associates is a planning and economics consulting firm which provides real estate market analysis. The firm is an independent licensee of JWA, Incorporated. John Wall and Associates was established in Cary, North Carolina in June 1990. The firm has another office, located in Anderson, South Carolina.

The President of the Cary firm is T. Ronald Brown. He has more than 25 years experience in the provision of real estate market studies. Prior to establishing the Cary office of John Wall and Associates, Mr. Brown was Managing Associate of Stephens Associates in Raleigh for five years.

Mr. Brown holds an Honours Master of Arts degree in Geographical Studies from the University of St. Andrews in St. Andrews, Scotland.

Since June, 1990 the firm has produced more than 1,500 market studies, in more than 20 states. The firm has primary experience in market analysis for residential projects including both single-family homes and multi-family units (for sale and for rent). A significant proportion of the firm's business focuses on apartment market studies—for family renters and for elderly persons. These reports include conventionally financed projects (including HUD 221 (d) (4) projects), affordable housing (including tax credit financed projects) and subsidized housing.

Clients include for-profit developers, non-profit developers and community development corporations, state housing finance agencies, syndicators, and municipalities.

SIGNED STATEMENT

I affirm that I, or an individual employed by my company, have made a physical inspection of the market area and site and that information has been used in the full assessment of the need and demand for new rental units. To the best of my knowledge, the market appears to support the demand shown in the study. I understand that any misrepresentation of this statement may result in denial of further participation in the Georgia Housing Finance and Development Authority's rental housing programs. I also affirm that I have no interest in the project or relationship with the ownership entity and my compensation is not contingent upon the project being funded.



Market Analyst

Date: June 11, 2012

GLOSSARY

The following presents the definitions of various terms typically found in real estate market studies. This information is drawn from various sources including HUD, the Census Bureau, and the Urban Land Institute.

Absorption rate - the amount of real estate (for example, apartment units) that will be leased (or sold) in a given period of time.

Affordable housing - housing that costs an owner or renter no more than 30 percent of his or her income.

Amenity - non-monetary tangible or intangible benefit offered to a leasee—typically recreational facilities or planned activities.

Assisted housing - housing where the monthly costs to the tenants are subsidized by federal or other programs.

Attached housing - two or more dwelling units connected with party walls (e.g. townhouses or flats).

Average stabilized occupancy - typical occupancy level after the initial rent-up period.

Based-on-income (BOI) - approach to determining housing costs in subsidized housing programs.

Below Market Interest Rate program (BMIR) - program targeted to lower income renters by limiting rents based on HUD income limits. Here, rent is not supplemented directly to a complex, but developers are eligible for below market interest rates on their mortgage loan.

Capture rate - proportion/percentage of total demand within a targeted market segment that a project can expect to attract.

Census tract - a small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tract boundaries normally follow visible features, but may follow governmental unit boundaries and other non-visible features in some instances; they always nest within counties. They are designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time of establishment, census tracts average about 4,000 inhabitants.

Central Business District (CBD) - the center of commercial activity within a town or city; usually the largest and oldest concentration of such activity.

Community Development Corporation (CDC) - entrepreneurial institution combining public and private resources to aid in the development of socioeconomically disadvantaged areas.

Comparable or comparable property - another property to which a subject property can be compared to reach an estimate of the subject property's market value or market rent.

Concession - discount given to a prospective tenant to induce him or her to sign a lease—typically in the form of free rent.

Condominium - a form of joint ownership and control of property in which specified volumes of space (for example, apartments) are owned individually while the common elements of the property (for example, outside walls) are owned jointly.

Detached housing - a freestanding dwelling unit, typically single-family, situated on its own lot.

Employment trends - changes in the number of persons in employment for a particular area over a specific period of time.

Extremely low income - household income below 30 percent of the local area median, as defined by HUD.

Fair Market Rents (FMR) - HUD's estimate of market rent for an apartment in the conventional marketplace.

Garden apartments - two- or three-story multifamily housing development that features low density, ample open-space around buildings, and on-site parking.

Group quarters (GQ) - the Census Bureau classifies all people not living in households as living in group quarters. There are two types of group quarters: institutional (for example, correctional facilities, nursing homes, and mental hospitals) and non-institutional (for example, college dormitories, military barracks, group homes, missions, and shelters).

High-rise - a tall building, usually having more than ten stories in apartment buildings.

Household - a household includes all the people who occupy a housing unit as their usual place of residence.

Household trends - changes in the number of households for a particular area over a specific period of time—which is a function of new household formations (e.g. at marriage or separation), and decreasing average household size.

Housing Finance Agency (HFA) - state agency responsible for financing housing and administering assisted housing programs.

HUD Section 8 program - program administered by HUD and targeted to low- and very-low income families who pay the higher of either 30 percent of their adjusted income or 10 percent of their gross income on rent. Many HUD § 8 apartments are reserved for the elderly, and a small portion are specially designed for the mobility impaired.

HUD Section 202 program - units designed for elderly or disabled low- and very-low income persons. Developed by non-profit entity.

HUD Section 236 program - program targeted to lower-income families who pay a set basic rent, or 30 percent of their adjusted income on rent, whichever is higher (but no exceeding the market rent).

Infrastructure - services and facilities including roads, highways, water, sewerage, emergency services, parks and recreation, etc. Infrastructure can include public and private facilities.

Low income - as applied to most housing programs, household income below 80 percent of the local area median income, as defined by HUD.

Low rise - a building with one to three stories.

Market analysis - the synthesis of supply and demand analysis in a particular market.

Market area - the geographical region from which the majority of demand and the majority of competitors are drawn is considered the market area, or primary market area. A secondary market may be that area beyond the primary market area from which a certain amount of demand and competition may be drawn.

Market vacancy rate - proportion/percentage of apartment units in any market which are unoccupied.

Metropolitan statistical area (MSA) - a geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core. Qualification of an MSA requires the presence of a city with 50,000 or more inhabitants, or the presence of an Urbanized Area (UA) and a total population of at least 100,000 (75,000 in New England). The county or counties containing the largest city and surrounding densely settled territory are central counties of the MSA. Additional outlying counties qualify to be included in the MSA by meeting certain other criteria of metropolitan character, such as a specified minimum population density or percentage of the population that is urban.

Mid-rise - a building with four to nine stories.

Multi-family housing - structures that contain more than five housing units.

Neighborhood - a segment of a city or town with common features that distinguish it from adjoining areas.

Public Housing or Low Income Conventional Public Housing - HUD program administered by local (or regional) Housing Authorities which serve low- and very-low income households with rent based on the same formula used for HUD Section 8 assistance.

Population trends - changes in population levels for a particular area over a specific period of time--which is a function of the level of births, deaths, and net migration.

Reasonable marketing and management - professional program to acquaint potential tenants with a particular product and retaining them after their agreement to rent.

Redevelopment - the redesign or rehabilitation of existing properties.

Rent overburden - circumstances where renters devote more than 30 percent of their income to housing costs.

Rental housing demand - demand for rental housing--which may be derived from population and household growth and demand from existing rental households who would consider moving to any proposed development.

Single-family housing - a dwelling unit, either attached or detached, designed for use by one household and with direct access to a street. It does not share heating facilities or other essential building facilities with any other dwelling.

Special needs population - specific market niche which is typically not catered to in a conventional complex. This population should exhibit certain criteria which can be well-defined and are reasonably quantifiable, in order, for example, to assess the need and demand from this source.

State data center (SDC) - a state agency or university facility identified by the governor of each state to participate in the Census Bureau's cooperative network for the dissemination of census data.

Subsidy - below market rent charged to a tenant (usually in an income group below a specified threshold) that is a function of a particular financing program.

Substandard conditions - housing conditions that are conventionally considered unacceptable which may be defined in terms of lacking plumbing facilities or overcrowded conditions (more than one person per room, on average).

Target population - market niche a development will appeal to or cater to.

Tenant - one who rents from another.

Tenure - refers to the distinction between owner-occupied and renter-occupied housing units.

Townhouses - single-family attached residence separated from another by party walls, usually on a narrow lot offering small front and back-yards; also called a rowhouse.

USDA/Rural Development (RD) program - formerly the Farmers Home Administration Section 515 rural rental housing program. Here, low interest (1 percent) loans are made to owners to reduce rents (including utilities) paid by low-income tenants. The program serves low- and moderate-income persons in rural areas who pay 30 percent of their adjusted income on rent or the basic rent, whichever is the higher (but not exceeding the market rent). In many cases project-based rental assistance is available and very low income tenants pay 30 percent of their adjusted income on rent and utilities.

Very low income - household income below 50 percent of the local area median, as defined by HUD.

Zoning - classification and regulation of land by local governments according to use categories (zones); often also includes density designations.